

26 JUL 1976

76-3756

MEMORANDUM FOR: ✓ Deputy Director for Administration  
Deputy Director for Intelligence  
Deputy Director for Operations  
Deputy Director for Science and Technology

SUBJECT: Productivity Management Program

REFERENCE: OMB Memorandum for Heads of Executive Departments  
and Establishments, dtd. 13 July 76, Same Subject

A copy of the referent memorandum is attached for your information and action. I endorse the objectives outlined and urge your full cooperation in supporting the concept of productivity enhancement. You and your program managers should continue to seek ways to further improve productivity and to achieve economies in the conduct of Agency activities. Meaningful and measurable results of actions taken to increase productivity should be emphasized in your program and budget submissions.

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E. H. Knoche  
Deputy Director for Central Intelligence

cc: Comptroller

Attachment:  
As Stated

\*OMB Waiver Letter In ERU

MORI/CDF Pages 1 thru 3



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

July 13, 1976

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Productivity Management Program

The President has put special emphasis on programs to increase productivity in all sectors of our economy. He has been particularly concerned that ways be found to increase productivity in the Federal sector.

Primary responsibility to improve productivity is with each agency head. It is only through your full support and personal attention to bringing about improvements that we can realize the President's goals. I, therefore, urge each of you personally to insure that every opportunity to improve your agency's productivity is realized.

In order to carry out these objectives, I want to clarify changes in central agency assignments made since the OMB memorandum of July 9, 1973 on productivity and to emphasize new responsibilities under P.L. 94-136, the National Productivity and Quality of Working Life Act of 1975.

Under this law, the National Center for Productivity and Quality of Working Life was established with broad responsibilities for sustaining productivity growth in all sectors of the economy. As part of this responsibility, the Center will assume coordination of the internal Federal productivity improvement program, and provide guidance and assistance to agencies in developing internal productivity improvement and measurement programs. It will issue the annual productivity data call and report annually to the President and Congress.

With the assumption of the annual reporting responsibility by the Center, the annual report heretofore prepared under the Joint Financial Management Improvement program (JFMIP) auspices will be discontinued after completion of the report for FY 1975.

I want to assure the continuity of the productivity activities which have been carried on by the current participants in the joint Federal program. In this regard I ask their full cooperation and support of the Center.

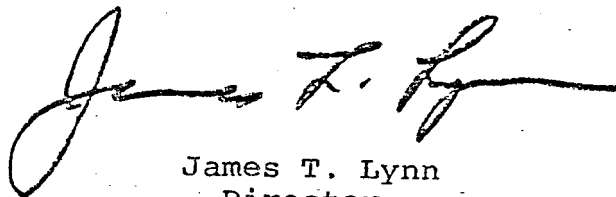
Jointly with the Center and the Federal agencies, the Bureau of Labor Statistics (BLS) will assure the validity and utility of the data, provide an analysis of the data, provide guidance in developing and improving output indicators, and compute productivity indices.

Jointly with the Center, the Civil Service Commission will determine the impact of Federal personnel policies, statutes and regulations on productivity and quality of working life, and will provide policy guidance and technical assistance to agencies about the personnel management aspects of productivity.

These assignments are intended to provide renewed emphasis to efforts to improve the productivity of Federal agencies. I ask your full support of the new Center and the associated agencies with major central responsibilities for fostering improved productivity. Also, each of you should be fully aware of your specific additional responsibilities under Title III, P.L. 94-136.

In consideration of the recent increases in productivity measurement in the Federal agencies, and in accordance with requirements of sections 13.3 and 24.2 of OMB Circular A-11, you should factor productivity improvement into your budget request. In this regard, OMB will consider productivity trends of the departments and agencies as part of the budget review.

You should also insure that productivity and work measurement are extended to all practical areas and that the data are integrated into your management control and evaluation systems. I want to reemphasize that the basic responsibility for improving productivity rests with the Federal agencies. Each of you should insure that your managers, at every level, take a personal interest in pursuing every opportunity to improve your productivity.



James T. Lynn  
Director

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Director

To review current organizational  
~~staffing patterns~~ structures  
and staffing patterns to  
identify and eliminate any  
unnecessary position layering,  
and excessive organizational  
subdivisions, duplication of  
work or under-utilization  
of personnel and take  
collective action to  
restrain grade escalation

- Completion date Scheduled
1. Action Plan, per memo to OO's  
Preparation of JIC  
Sequence of direction  
to DD's instructions, <sup>of high priority for</sup>  
new emphasis on ~~the~~  
per. magnet etc. etc.
  2. OP's preparation of expanded per-survey  
hand-out to line components  
re: ~~inspections~~  
SPP - Preparation of booklet on the magnet  
3. Instructions to PNO  
re: emphasis on conducting  
surveys conducted in FY 77
  4. Application of new priorities  
in conduct of survey of program.  
DDO - 1  
DDI -  
etc.  
etc.

Action Plans (Milestones)

Completion Month

1. Inauguration of VDCI Director  
to Deputy Directors and Heads  
of Independent Offices ~~including~~  
~~including~~ ~~including~~  
giving responsibility for  
conducting <sup>personnel management</sup> ~~personnel~~ ~~management~~ as  
prescribed by the objective
2. ~~CP prepare and publish~~  
~~guidance material to~~  
~~management managers on~~
2. CP

Walter Rhee



Action Plan (Milestones)

Completion Status

1. Issuance of ODCI directive  
to Deputy Directors and  
Heads of Independent Offices  
affirming <sup>their</sup> responsibility  
for contributing personnel  
management reviews as  
prescribed by the Director
2. Preparation and issuance  
by OH of Personnel of  
guidance materials for use  
by component managers  
in ~~the~~ <sup>their</sup> internal  
management review
3. OP/PMCD ~~established~~  
~~to~~ <sup>primary emphasis</sup>  
on the conduct of ~~the~~  
typical ~~comprehensive~~  
and ad hoc. per. mgmt. review  
reviews on substantive elements of the operation

A. Initial OMB requirement 27 July 1976

Section 5 Personnel Management

" Work Force Quality - Evaluation of employee programs which affect overall work force quality, specifically: Recruitment, employee performance evaluation, career advancement, managerial incentives and training. "

B. OP's comments to O/Compt  
All: Response to this requirement  
None

C. O/Compt. Response to  
OMB 24 Aug 1976

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II. Work Force Quality

Evaluate employee programs which affect overall work force quality.

As indicated under Initiative 1, these matters are all under review by the Executive Advisory Group.

Action Steps

Estimated Completion Date

Evaluate quality of programs for recruitment, performance evaluation, career advancement, managerial incentives, and training.

15 March 1977

Identify priority steps for improving overall work force quality through changes in these programs.

15 March 1977

D. OMB's response on 16 Sept 76  
to O/Compt. Statement of  
planned action.

"Report plan and timetable  
acceptable"

E. OP comments.

Review  
this

The PME program in OP  
must be expanded to cover  
recruitment, performance evaluation,  
career advancement, managerial  
mentors, and training.

A. Initial OMB Requirement 22 July 76

Section I - Decision making and Departmental Organization

- F. Review current staffing patterns and structures to identify unnecessary position layering and excessive organizational subdivisions. Develop a plan to consolidate subunits with similar and related functions. Establish guidelines which will be reviewed by OMB for "assistant to" positions, including number per policy official and grade level. Procedures should be established to ensure at least agency deputy level review of proposals to create new subdivisions and "assistant to" positions.

~~C. OMB's comments to O/Comp submitted 18 August 1976 re: response to OMB's requirement~~

1. PMI Section 1, Part F

"Review current staffing patterns and structures to identify unnecessary position layering and excessive organizational subdivision."

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Comment: Internal Agency regulations  establish policy on organization and manpower controls and charges each Deputy Director, the Director of Personnel, the Comptroller, and others with responsibilities for identifying unnecessary position layering and excessive organizational subdivision. On a continuing basis, inspection and survey bodies such as the Position Management and Compensation Division and the Inspector General's Staff conduct reviews of organizational structures and make recommendations accordingly.

"Develop a plan to consolidate subunits with similar and related functions."

Comment: The Agency's Position Management and Compensation Division, through its survey and review processes, which cover all Agency elements, makes recommendations in the areas of duplication

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of efforts. These activities will be reviewed to develop a more comprehensive plan for the consolidation of subunits with similar or related functions.

"Establish guidelines which will be reviewed by OMB for 'assistant to' positions, including number per policy official and grade level. Procedures should be established to ensure at least Agency deputy level review of proposals to create new subdivisions and 'assistant to' positions."

Comment: The Agency's Position Management and Compensation Division currently applies general criteria in assessing the need for "assistant to," "deputy," and "special assistant" positions. These criteria will be reviewed and additional guidelines will be established as required.

*C. O/Committee Response to OMB  
24 Aug 1976*

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#### IV. Organizational Review

A. Review current staffing patterns and organizational structures to identify unnecessary position layering\* and excessive organizational subdivisions.

During the past several months, the Central Intelligence Agency has begun to make organizational changes to implement Executive Order 11905 issued by President Ford in February 1976. Responsibility for day-to-day operations of the Agency is now assigned to the Deputy Director for Central Intelligence (DDCI) who has begun a sweeping review of all phases of the Agency's work. To help him in this review, the DDCI has drawn his senior managers into an Executive Advisory Group (EAG) which has set for itself the task of devising the best use of Agency personnel resources. One vehicle that the EAG has chosen is a personnel inventory which will be conducted in the next six months and will, inter alia, identify unnecessary position layering and "assistant to" positions. First steps in this process have already been taken and are described in detail in Issue 5, Item III., Position and Classification Management.

B. Develop plan to consolidate sub-units.

The EAG is currently considering a number of substantial organizational changes. Consideration of consolidating organizational elements will follow.

C. Establish guidelines for "assistant to" positions including number per policy official and grade level.

See Issue 5, Item III.

D. Establish procedures to ensure at least agency deputy level review of proposals to create new subdivisions and "assistant to" positions.

CIA Headquarters Regulation   reads as follows: STAT

Each Deputy Director is responsible for implementing the provisions of this regulation within the area of his jurisdiction and will...present proposals for significant organizational changes...to the Director for approval. Proposals should be forwarded, with appropriate justification through the Comptroller. (Significant organizational changes include such actions as the establishment or closure of a station or base [and] the transfer of a major function from one component to another.)

The Comptroller will review proposals for significant organizational changes...which have budgetary, manpower, or program implications among two or more directorates and submit appropriate recommendations to the Director.

\*See also Issue 5, Item III, for further treatment of this area.

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Q.

OMB's Response to  
O/Const. ~~Statement~~ Statement of  
Planned action.

16 Sept 76

IV. Organizational Review

Personnel inventory discussed in 5. III does not specify milestones or timetable for review of layering and excessive subdivision. By October 21, a revised plan should be submitted to include these omissions and greater detail on plans to consolidate sub-units and to develop guidelines for "assistant to" positions. A statement identifying review criteria for the personnel inventory is also requested. The IC Staff will be asked to develop an organizational review plan. "

E.

OP's internal plan of action  
in response to OMB's request  
for a ~~revised~~ revised plan  
more responsive to meeting  
the requirement

A. Initial OMB requirement 27 July 76

Section 5 - Personnel Management  
~~Section 5~~

"Position and Classification Management -  
Systematic re-examination of  
internal systems, and appropriate  
corrective action to restrain  
grade escalation and to  
eliminate duplication of work  
or under-utilization of  
personnel."

and:  
Section 5 -  
"Employment Ceiling"

D. Agencies should, by August 23, begin a year-long program of evaluation of employee programs in order to identify priority ways of improving overall work force quality. These evaluations will cover the quality of recruitment, the employee performance evaluation process, career advancement, managerial incentives, and training programs.

E. Agencies should, by September 3, begin a year-long program for the careful, systematic reexamination of internal position management and classification systems called for in the President's May 27 memorandum, in accordance with CSC instructions issued July 2.

OMB and CSC may specify special reviews or instructions on a selective basis, in agencies where there seem to be excessive problems of overgrading, duplication of work, or underutilization of personnel resources.

B. OP's comments to O/Comp. submitted  
18 Aug 76 re: response to  
OMB requirements

2. PMI Section 5, Part D

"Agencies should, by August 23, begin a year-long program of evaluation of employee programs in order to identify priority ways to improving overall work force quality. These evaluations will cover the quality of recruitment, the employee performance evaluation process, career advancement, managerial incentives, and training programs."

Comment: The Agency is currently involved in a multi-faceted effort to evaluate personnel management practices and employee program effectiveness. In accordance with guidelines promulgated by the Civil Service Commission, the Agency is striving to improve the quality of its workforce by examining its selection procedures in particular and its personnel programs in general. An employee survey is now in process as one of the preliminary steps toward identifying any possible problem areas in Agency personnel management methods, procedures, and the implementation thereof. In the planning stage is a specific review of Agency recruitment processes to assure the continued input of high quality employees while verifying our selection standards.

3. PMI Section 5, Part E

"Agencies should, by September 3, begin a year-long program for the careful, systematic reexamination of internal position management and classification systems called for in the President's May 27 memorandum, in accordance with CSC instructions issued 2 July 1976."

Comment: During the past two years, major studies have been conducted to examine the Agency's internal position management and classification systems. The results of the most recent study, conducted by the Agency's Inspector General during the period October 1975 - March 1976, are currently under review by the Deputy Director, CIA.

4. PMI Section 5, Part H

"Agencies should evaluate their current internal systems for administering personnel ceilings to look for better ways of ensuring compliance with those ceilings and provide flexibility for intra-Agency ceiling reallocation. A report of this evaluation should be submitted to OMB by September 21."

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Comment: Internal Agency regulation currently provide for a collaborative effort between the Director of Personnel and the Agency Comptroller in the review of proposals for significant organizational and manpower ceiling changes and the submission of recommendations to the Director for his approval. This system will be reviewed to seek improvements in implementing the Agency's manpower control program.

*C. O/comp. response to OMB 24 Aug 76*

III. Position and Classification Management

Systematically reexamine internal systems, and take appropriate corrective action to restrain grade escalation and to eliminate duplication of work or underutilization of personnel.

One of the results of the review of the 1978 program in July 1976 was recognition by the senior management of the Central Intelligence Agency of the need to have even more precise knowledge of how our present position allocations relate to individual substantive assignments. This has called into question the applicability of the present system of occupational coding.

<u>Action Step</u>	<u>Milestone</u>	<u>Estimated Completion Date</u>
Conduct Inventory of Personnel	Devise questions to be answered by inventory.	30 September 1976
	Plan implementation of inventory and make tentative work assignments	15 October 1976
	Complete directorate inventories.	15 November 1976
	Compile results.	31 December 1976
Review classification system in light of inventory results.		28 February 1977
Adjust classification system as necessary.		15 April 1977

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V. Employment Ceilings

Take steps to assure adherence to President's employment ceilings.

The system the Central Intelligence Agency uses to administer personnel ceilings is part of the normal budget cycle and starts with letters of financial guidance which the DDCI issues at the start of a fiscal year. Along with apportioning funds for the fiscal year, the DDCI apportions the Agency's personnel ceiling to the DCI Area and to the four directorates that comprise the Agency. During the year, numbers of personnel on duty are monitored monthly by the Resources Staff of the Office of the Comptroller. Data for this purpose are provided by the components through the computerized budget reporting facilities. In addition, the Office of Personnel reports on-duty strength as of the last day of the month just past and projects end of the year positions based on Agency-wide rates of accession and separation. These data provide the background for the Comptroller to weigh requests for increased ceiling as unforeseen requirements for personnel arise. Any decisions to shift positions within the existing ceiling are made at monthly Comptroller's meetings, which are attended by the four deputy directors--each of whom is responsible for personnel management within his directorate. This system has been completely successful.

*D. OMB's comments on 16 Sept 76  
to O/comp. response.*

III. Position and Classification Management

As indicated in item 2.IV., a statement identifying review criteria for the personnel inventory is requested. Civil Service Commission Bulletin No. 250-7 should be carefully reviewed as these criteria are developed. Report plan and timetable acceptable. This has been identified as an emphasis area and will be addressed by the OMB budget examiner during the FY 1978 budget review. In addition, it will be discussed with the IC Staff.

V. Employment Ceilings

Report acceptable. No further action required at this time.

E. OP's plan for further action

1. Position ~~Management~~ <sup>and classification</sup> management

2. Deployment ceilings

## Internal Projects

1. Study of the Agency's recruitment and selection practices relative to compliance with merit principles.
2. Study of what personnel management and administration functions may be more effectively performed on a centralized basis.
3. Study of "rank in the man" vs a his "rank in the position" approach to competitive evaluation, assignment and promotion.
4. Study of Agency pers. mgmt functions that should be included in the internal PME system (i.e. - over and above our initial effort funding re: PASG implementation)  
(Example - FLSA, Pers. Mgmt & Adv., FES, recruitment, Placement, Pers. Records mgmt, Grievance system).

25 June 76

## Project

Topic: Come up with a D/Pers' paper to the DCI - thru JDA - which highlights the President's concerns and directives relative to improving effectiveness of Pers. mgmt and position classification & need to strengthen programs to ensure that internal system is "operating effectively and in full compliance with applicable laws and regulations."

## References for use:

- a. Pres. Ford's memo of 27 May 76
- b. Hampton's letter of 8 June to Heads of Agencies
- c. Agency response to (b).
- d. Compt. General's Report of 12/75 to Congress on Pers class.
- e. OSC's Report to the President of Nov 75 on Classification
- f. OMB's A-64 Circular
- g. FPM Chap 312
- h. Draft FPM - #250-7
- i.  Survey of PMOD
- j. IG Report and OP's response re: PMOD functions.

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III Letter

- Target for project completion -  
asap since ODCI will  
soon address the IG Report.